

# SUMMARY ANALYSIS

## Harrisonburg, Virginia

### *Credit Profile*

Harrisonburg GO (FGIC)

Unenhanced Rating  
AA-(SPUR)/Stable  
Upgraded

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### *Publication Date*

April 19, 2010

### *Rationale*

Standard & Poor's Ratings Services raised its underlying rating (SPUR) on Harrisonburg, Va.'s **general obligation (GO) debt to 'AA-' from 'A+'.** The upgrade reflects our opinion of the city's continued strong economic fundamentals despite the recent recession. The rating outlook is stable.

Additional rating factors include our assessment of Harrisonburg's:

- Role as a regional economic center with an employment base anchored by higher education;
- Very strong available fund balance at fiscal 2009 year-end, which management expects to come down due to revenue pressure;
- Moderate debt burden; and
- Low to adequate effective buying income (EBI).

The city's full faith and credit pledge secures the bonds.

Located in northwestern Virginia, Harrisonburg encompasses a 17.3-square-mile section of Rockingham County. The city lies at the geographic center of the Shenandoah Valley and has an estimated population, according to management, of 45,889. James Madison University, a state-supported school with 17,964 undergraduate students, and Eastern Mennonite University, a private institution with 1,439 students, are both located in the city. Harrisonburg's median household EBI is 70% of the national average, and its per capita EBI is 63%. We believe the presence of college students can deflate income indicators.

Harrisonburg's per capita retail sales measure 271% of the national average, which we believe is reflective of its role as a regional economic center. The city's preliminary February 2010 unemployment rate, as reported by the Bureau of Labor Statistics, was 8.7%. This is up from 7.6% in January 2010 and 6.1% (preliminary) in December 2009. Harrisonburg's fiscal 2010 assessed value is \$4.2 billion, having increased 7.2% year-over-year in fiscal 2009 and

8.5% in 2010. Market value per capita is roughly \$92,000, which we believe is very strong. Management cited several projects that are either planned or under construction—the largest of which is a new data center that is expected to reach buildout in 12-18 months and add \$100 million to the property tax base.

The city closed fiscal 2009 with a \$5.7 million general fund drawdown (7.0% of budget) after transferring \$1.8 million to the general capital projects fund. Management attributes the balance of the drawdown to weak sales tax receipts, hotel/motel tax revenue, and interest income. Nevertheless, the \$18.4 million unreserved general fund balance at year-end was 22.2% of expenditures, which we consider very strong. Management expects the unreserved general fund balance to decline in fiscal 2010 due to weaker than budgeted revenues. The city's written reserve policy requires the year-end undesignated general fund balance to total a minimum 10% of budget. It also targets an additional 4% for liquidity. The unfunded actuarial accrued liability for other postretirement employee benefits, as of July 2008, was \$9.3 million for the city and \$9.4 million for the school board.

Under Standard & Poor's Financial Management Assessment (FMA) Harrisonburg's management practices are considered "good", indicating that practices exist in most areas although not all may be formalized or regularly monitored by governance officials.

The city's net debt burden is moderate, in our opinion, at about \$3,000 per capita and 3.3% of market value. We consider carrying charges to be moderate at 14.8% of the general fund budget. Management indicated that the city will likely issue additional GO debt within the next six months.

### ***Outlook***

The stable outlook reflects Standard & Poor's opinion of the collegiate community's strong relationship with and influence on the growth and diversification of the city's economic base. Additionally, we expect that the city will be able to maintain its strong financial position.

### ***Related Criteria And Research***

USPF Criteria: GO Debt, Oct. 12, 2006

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